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IN THE
SUPREME COURT OF THE UNITED STATES

OCTOBER TERM, 1960

No. 219

CARL SCHNELL and THE GRIFFITH
LABORATORIES, INC.,

Petitioners,

VS.

PETER ECKRICH AND SONS, INC., and
THE ALLBRIGHT-NELL COMPANY,

Respondents.

BRIEF FOR RESPONDENT

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THE ALLBRIGHT-NELL COMPANY,

Respondents.

BRIEF FOR RESPONDENT*

Petitioners have correctly referred to the opinion below. Their statement of jurisdiction and statement of the case need no elaboration or correction.

QUESTION PRESENTED

Did the assumption of the defense of Peter Eckrich and Sons, Inc. by The Allbright-Nell Company constitute, as a matter of law, a submission to the jurisdiction of the District Court and a waiver of the statutory venue require-

* While the Petition names two respondents, it involves a procedural question the determination of which can only affect The Allbright-Nell Company. This brief will, therefore, use the term "Respondent" only with reference to The Allbright-Nell Company and will refer to the other named respondent, Peter Eckrich and Sons, Inc., as the Defendant.

ments of 28 U.S.C. Section 1400(b)* in spite of the fact that The Allbright-Nell Company promptly moved for, and the District Court ordered, a dismissal of the complaint for lack of venue.

SUMMARY OF ARGUMENT

The venue provisions relating to patent cases are intended to prevent the institution of patent infringement actions in far-flung jurisdictions which would be burdensome and harrassing to the defendant. This purpose and the Congressional intent have been carefully reviewed and respected by this Court in *Stonite Products Co. v. Melvin Lloyd Co. et al.*, 315 U.S. 561, 62 S.Ct. 780 (1942) and in *Fourco Glass Company v. Transmirra Products Corporation, et al.*, 353 U.S. 222, 77 S.Ct. 787 (1957). A course of conduct, open and avowed control of the defense, which is coupled with a refusal to waive the privilege of the venue statute, should not now be held to be an involuntary waiver.

There are many practical reasons why a manufacturer, desiring to defend its customer, refuses to appear as a party in an improper forum. These have to do with unforeseeable changes in the relationships of the parties and the businesses involved; the expansion of the scope of the litigation which would occur, if the manufacturer's entire line of alleged infringing products were brought into the litigation; questions of accounting; and the preservation of the manufacturer's right, by declaratory judgment or otherwise, to litigate in an appropriate and convenient forum.

* 28 U.S.C. Section 1400(b): "Any civil action for patent infringement may be brought in the judicial district where the defendant resides, or where the defendant has committed acts of infringement and has a regular and established place of business."

The decision below is in accord with prior decisions of this Court and the Courts of Appeals as expressed in *G. & C. Merriam Company v. Arthur J. Saalfeld et al.*, 241 U.S. 22, 36 S.Ct. 477 (1916); *Freeman-Sweet Co. et al. v. Luminous Unit Co.*, 264 Fed. 107 (C.C.A. 7, 1919); *S. S. Kresge Co. et al. v. Winget Kieckernick Co. et al.*, 96 F.2d 979 (C.C.A. 8, 1939) and *The Dow Chemical Company v. Metlon Corporation et al.*, 281 F.2d 292, 297 (C.A. 4, 1960). The rule that a judgment if and when obtained will be binding on a privy who has openly controlled the defense of a case does not make the privy a party to the original action.

The case of *Ocean Accident & Guarantee Corporation, Limited v. Felgemaker et al.*, 143 F.2d 950 (C.C.A. 6, 1944) upon which Petitioners rely, is either distinguishable on its facts and the effect thereon of the Ohio insurance law, or is erroneous.

The rule applied below is sound. Statutory venue requirements in patent infringement cases are clear and specific. *Fourco Glass Company v. Transmirra Products Corporation, et al.*, 353 U.S. 222, 77 S.Ct. 787 (1957). Venue requirements are not vague principles which, in the interests of some overriding policy, are to be given a liberal construction. *Olherding et al. v. Illinois Cent. R. Co., Inc.*, 346 U.S. 338, 340, 74 S.Ct. 83, 84 (1953).

ARGUMENT

I. The Congressional Intent To Limit Venue In Patent Cases To Districts Convenient To Defendants Has Long Been Recognized And Respected By This Court.

The development of the venue provisions and the Congressional intent in regard to patent infringement actions under the statutes then in force are reviewed at length by this Court in *Stonite Products Co. v. Melvin Lloyd Co. et al.*, 315 U.S. 561, 62 S.Ct. 780 (1942). More recently this Court in *Fourco Glass Company v. Transmirra Products Corporation, et al.*, 353 U.S. 222, 77 S.Ct. 787 (1957) rejected an attempt to broaden the patent venue statute (now 28 U.S.C. Section 1400(b)) by reference to the general venue statute 28 U.S.C. Section 1391(c).*

Petitioners here seek to escape the clear provisions of the patent venue statute on the basis of a so-called course of conduct, in the face of Respondent's specific refusal to waive venue. Petitioners' assertion that Allbright-Nell's "position is not just" (Petitioners' Brief, p. 5) ignores the fact that it became necessary for Allbright-Nell to take such a position only because of Petitioners' decision to bring these actions in a District where Allbright-Nell is not sueable.

II. There Are Many Practical Reasons For A Manufacturer's Desire To Defend Its Customer While Refusing To Appear As A Party Of Record In An Inconvenient Forum Lacking Venue And Personal Jurisdiction.

The fact situation here presented is quite ordinary. A patent owner has sued the user of an allegedly infringing

* 28 U.S.C. Section 1391(c): "A corporation may be sued in any judicial district in which it is incorporated or licensed to do business or is doing business, and such judicial district shall be regarded as the residence of such corporation for venue purposes."

article in a judicial district where jurisdiction and venue over the manufacturer of the accused article cannot be obtained. Business necessities have compelled the manufacturer to assume the defense of its customer but the manufacturer, for very practical reasons, is unwilling to waive its objections to service of process and improper venue and appear as a party of record.

The reasons which have induced the manufacturer to abstain from becoming a formal party to the record are many and sound. First, the manufacturer wants to reserve the right to relinquish control of the defense and withdraw from the litigation if changes in circumstances make this desirable. Thus, the user of the accused item might go out of business, or the manufacturer might abandon the production of the accused item. The relationship between the manufacturer and the user might deteriorate, e.g., by the latter's breach of the defense agreement. The user might take up the manufacture of the accused item, or might begin to purchase this item from a competitor of the defending manufacturer. The plaintiff patent owner might acquire control of the defendant user. These, and probably many other contingencies could eliminate or supersede the reasons which originally prompted the manufacturer's participation in the defense.

Second, the manufacturer may produce a number of different types of the allegedly infringing devices, while his customer has only used one or a few of these types. If the manufacturer waived his venue objection and became a formal defendant, the scope of the infringement issue in the action could be extended to encompass his entire production. Such an extension of the action in an improper and inconvenient forum would greatly and unnecessarily burden the manufacturer who is primarily interested in protecting his customer.

Third, by voluntarily appearing as a party of record the manufacturer runs the risk of being forced to go through an accounting in a distant and inconvenient forum. The manufacturer has no advance assurance that the district court, even if it had the authority, would be inclined to order a master to conduct the accounting outside the judicial district in which the court sits.

Fourth, the refusal of the manufacturer to make a voluntary appearance in a forum where he is not subject to personal jurisdiction and venue may induce the plaintiff patent owner to proceed against the manufacturer in the appropriate forum. This is particularly true if the patent owner by postponing the filing of an action in a proper forum against the manufacturer would forfeit the right to damages for any infringement committed more than six years prior to the filing of such an action, 35 U.S.C. 286. Moreover, the plaintiff is less likely to select an inappropriate forum if the manufacturer can relinquish control of the defense of the action, in which case the judgment would not be *res judicata* against him. By refusing to become a formal party to the action the manufacturer also reserves his right to institute a declaratory judgment suit against the patent owner in an appropriate and convenient forum, *Kerotest Mfg. Co. v. C-O-Two Fire Equipment Co.*, 342 U.S. 180, 186, 72 S.Ct. 219, 222 (1952).

III. The Decision Below Accords With The Precedents In This Court And The Patent Decisions In The Courts Of Appeals.

The decision below recognizes the justifiable interest of a manufacturer in defending his customer against a patent infringement action without becoming a party defendant.

* 35 U.S.C. Section 286: "Except as otherwise provided by law, no recovery shall be had for any infringement committed more than six years prior to the filing of the complaint or counterclaim for infringement in the action."

and waiving its objections to venue and service of summons. The opinion below correctly follows the law developed by this Court and the Courts of Appeals.

The control of the defense of an action by one not a defendant of record is not a new phenomenon. *William R. Lovejoy, et al. v. Edward D. Murray*, 3 Wall. 1, 19, 18 L.Ed. 129, 134 (1866) appears to be the first decision of this Court holding that a party who controlled the defense in a case* is precluded from relitigating in a second action the issues adjudicated in the first one. The same rule was applied in *Souffront v. LaCompagnie Des Sucreries De Porto Rico*, 217 U.S. 475, 487, 30 S.Ct. 608, 612 (1910) where the Court said**:

"The case is within the principle that one who prosecutes or defends a suit in the name of another, to establish and protect his own right, or who assists in the prosecution or defense of an action in aid of some interest of his own, and who does this openly, to the knowledge of the opposing party, is as much bound by the judgment, and as fully entitled to avail himself of it, as an estoppel against an adversary party, as he would be if he had been a party to the record. *Lovejoy v. Murray*, 3 Wall. 1, 18 L.ed. 129."

It will be noted that in the two cases discussed the first litigation had terminated before the judgment was enforced against the privy. An unsuccessful attempt to make the privy a formal defendant before the conclusion of the original action was made in *G. & C. Merriam Company v. Arthur J. Saalfeld et al.*, 241 U.S. 22, 36 S.Ct. 477 (1916). In that case, the sole named defendant Saalfeld was enjoined from and ordered to account for acts of unfair competition committed in the business of publishing and selling dictionaries. While the accounting was in progress the plaintiff filed a supplemental bill to have one Ogilvie

* The suit was in trespass against a joint tortfeasor.

** The action involved title to land.

joined as a defendant. The supplemental bill alleged that Ogilvie was the proprietor of the accused dictionaries which were published and sold for his benefit by Saalfeld. It was also alleged that Ogilvie had at all times controlled and financed the defense of the suit. Summons served on Ogilvie was quashed pursuant to his motion. From the District Court's refusal to join Ogilvie, an appeal was taken to the Supreme Court. The appellant's argument was substantially the same as the one presented here by Petitioners (241 U.S. 27):

"Appellant's case upon the merits is rested upon the theory that Ogilvie was ~~in~~ privy to the original suit against Saalfeld, and an actual though not an ostensible party thereto, in such a real sense that the final decree therein would be *res judicata* against him; that the district court had jurisdiction to entertain the suit as against him notwithstanding he resided outside the district, because by voluntarily coming in and defending for Saalfeld, he had submitted to the jurisdiction and waived the objection, and because the supplemental bill was a dependent and ancillary proceeding, and therefore properly brought in the district wherein the original proceeding was pending; * * *" (Emphasis added).

This Court rejected this argument and unanimously affirmed the orders of the District Court, saying (241 U.S. 28, 29):

"This sufficiently shows the weakness of appellant's position, which, upon analysis, is found to be this: that upon the theory that Ogilvie would be estopped by a final decree if and when made, it sought to bring him into the suit, before final decree, as if he were already estopped. However convenient this might be to a complainant in appellant's position, it is inconsistent with elementary principles." (Emphasis added).

The differences between *Merriam v. Saalfeld* and the present case are accidental or inconsequential. There, a supplemental bill was used in the attempt to make Ogilvie a formal defendant, while Petitioners here filed an amended complaint in Civil Action 1128 and named Allbright-Nell as a Defendant in their original complaint in Civil Action 1184. These differences go merely to procedural form and cannot distinguish the present case from *Merriam v. Saalfeld*.

In the *Merriam* case the attempt to bring the privy into the action was not made until after the District Court had issued an injunction and ordered an accounting, pursuant to the mandate of the Circuit Court of Appeals. Thus, the litigation had been substantially completed on the merits, even though technically the *res judicata* doctrine could not yet be invoked. In the cases at bar Petitioners sought to avail themselves of the privy doctrine immediately upon or shortly after the filing of their original complaints. Thus, they were more precipitate and have a still weaker case than the plaintiff in *Merriam v. Saalfeld*.

Finally, Petitioners have emphasized an unmeritorious distinction in their formulation of the question presented. *Merriam v. Saalfeld* does not disclose whether the privy continued to control the defense after having been named in the supplemental bill. In the instant cases (Findings No. 4 R. 2, 6) Allbright-Nell controlled the defense, when its motions to dismiss were granted. Why this distinction should be decisive has not been explained by Petitioners. Respondent can see no reason why the open assumption of the defense of an action should be construed as a waiver of objections to venue and service of process only if control of the defense continued after the plaintiff has named the

privy as a formal defendant. This purported distinction is impractical as well as irrational and should not be adopted.

The lower federal courts have uniformly applied the rule of law which Petitioners here seek to overturn. Long before the decision of *Merriam v. Saalfeld*, the rule had been recognized in *Bidwell et al. v. Toledo Consol. St. Ry. Co.*, 72 Fed. 10 (C.C. N. D. Ohio, W.D. 1896) and *Parsons Non-Skid Co., Limited et al. v. E. J. Willis Co.*, 176 Fed. 176 (C.C. S.D.N.Y., 1909). In the latter case the Court said:

"The motion to make the Wittaker Chain Tread Company a party defendant must be denied. This is a Massachusetts corporation, without any place of business in the Southern district of New York. It could not originally have been joined as a defendant in this suit. The reason urged, why it should now be brought in is that it has so contributed to the defense that it will be bound by the decree. This may be true. It may be established that this corporation is a privy to the suit and will be privy to the judgment. But I know of no principle upon which a court acquires jurisdiction over persons merely because by reason of their conduct they will be bound by its decrees. And if the court has not now jurisdiction over this foreign corporation it cannot order it to be made a party."

The rule of law announced in these cases so strongly recommends itself that it was frequently applied after *Merriam v. Saalfeld* without reference to that decision. Thus *Freeman-Sweet et al. v. Luminous Unit Co.*, 264 Fed. 107 (C.C.A. 7, 1919), which the majority in the Court below regarded as controlling, does not cite the *Merriam* case.* However, the meaning of the *Merriam* case was by

* Neither do the following cases which also apply the rule now challenged by petitioners: *Van Kannel Revolving Door Co. v. Winston Hotel Co.*, 263 Fed. 988 (N.D. Ohio, E.D. 1920); *Radio Corporation of America et al. v. E. J. Edmond & Co., Inc.*, 20 F.2d 929, 932 (S.D. N. Y., 1927).

no means lost on the Courts of Appeals. *S. S. Kresge Co. et al. v. Winget Kickernick Co. et al.*, 96 F.2d 979, 989 (C.C.A. 8, 1939) recognized the Supreme Court decision as dispositive of the legal question. The following excerpt contains the pertinent facts and the ruling of the Court. (pp. 988, 989):

"The decrees in each of the two infringement actions were directed not only against the defendant therein but also against the La Mode Garment Company, which was not a nominal party in either action. It was made subject to the injunction and to the accounting for profits and for damages.

"Appellant La Mode Garment Company contends that, not being a party to either of those actions, no decree could be entered against it therein. This contention is sound. The relation of the La Mode to each of those actions was, at most, that of an indemnifying manufacturer which assumed the defense for its customer defendant. * * * In order to test the broad issue here, we will assume that the conduct of appellant was such as to make any determination against the defendant in each of these two actions binding upon it. Even so, the force thereof does not go beyond creating an estoppel in subsequent litigation between it and plaintiff concerning the same matters. This is merely to say that in some *subsequent* action the prior adjudication may be set up in estoppel as *res judicata*. **It does not make it a party to the prior suit.** This is directly ruled by *Merriam Co. v. Saalfeld*, 241 U.S. 22, 29, 31, 33, 36 S.Ct. 477, 60 L.Ed. 868." (Emphasis in italics not added.)

The right to assume the defense of an action without becoming a formal party thereto has been acknowledged also by the Fourth Circuit in *The Dow Chemical Company v. Metlon Corporation et al.*, 281 F.2d 292, 297 (C.A. 4, 1960).

Respondent has not been able to find other appellate decisions squarely in point. However, rulings on related legal questions indicate that other Courts of Appeals are in agreement with the Fourth, Seventh and Eighth Circuits, *N. O. Nelson Mfg. Co. v. F. E. Meyers & Bro. Co.*, 25 F.2d, 659, 665, 666 (C.C.A. 6, 1928) and *Minneapolis-Honeywell Regulator Co. v. Thermoco, Inc.*, 116 F.2d 845 (C.C.A. 2, 1941). The question in these cases was whether a judgment or decree in a patent suit may recite that the privy conducted the defense of the action.

The Sixth Circuit held that such recital was proper, not as a finding of fact but merely as a record of fact (25 F.2d 666), while the majority of the Second Circuit ruled that reference to the privy's control of the defense should not be incorporated into judgments (116 F.2d 845). There is no need to discuss the merits of these rulings. The issue passed upon in these two cases is significant in the instant case primarily in that the Courts' discussions would have been entirely moot if the plaintiff in a patent infringement action could make the defending manufacturer a formal defendant merely by naming him in an amendment to the complaint filed before the entry of the judgment.

The majority and the dissenting opinions in *Minneapolis-Honeywell Regulator Co. v. Thermoco, Inc.*, 116 F.2d 845, are of further interest because they clearly show that some of the most respected judges of the Second Circuit are opposed to the contention here advanced by Petitioners. Thus, Judge Hand (116 F.2d 846), and Judge Clark (116 F.2d 848) cite with apparent approval *G. & C. Merriam Co. v. Saalfeld*; *Freeman-Sweet Co. v. Luminous Unit Co.* and *S. S. Kresge Co. v. Winget Kickernick Co.* Judge Clark expressed his full agreement with these cases by saying:

"Why should we not require the privy to be made a formal party, thus avoiding even the remote contingency just mentioned? For the most practical of reasons, to wit, the limitations of federal jurisdiction and venue, as many cases point out, * * *"

The thinking of the Ninth Circuit appears from *Maulsby v. Conzeroy*, 161 F.2d 165, 167 (C.C.A. 9, 1947) which held, in reliance on *Minneapolis-Honeywell Regulator Co. v. Thermoco, Inc.*, 116 F.2d 845, 846 (C.C.A. 2, 1941), that a plaintiff in a patent infringement suit is not even entitled to learn during the action whether the defense is conducted by anyone other than the named defendant.* Moreover, the Ninth Circuit in *Reinharts Inc. v. Caterpillar Tractor Co.*, 99 F.2d 648, 650 (C.C.A. 9, 1938) in an appeal from an award of costs refused to consider a manufacturer, who had openly and avowedly defended its customer, "the real party in interest" in the cause.

From the above review of authorities it is clear that the Fourth, Seventh and Eighth Circuits have squarely and consistently upheld the legal rule now questioned and the Second, Sixth and Ninth Circuits have strongly implied approval of that rule.

Petitioners' search to find any directly conflicting holdings has manifestly failed. Entirely misplaced is their reliance on *Esquire, Inc. v. Varga Enterprises, Inc. et al.*, 81 F. Supp. 306, 307 (N.D. Ill., E.D., 1948), *affirmed*, 185 F.2d 14 (C.A. 7, 1950) and *The University of Illinois Foundation v. Block Drug Co., et al.*, 133 F. Supp., 580 (E. D. Ill., 1955), *affirmed*, 241 F.2d 6 (C.A. 7, 1957). These cases, as pointed out in the opinion below (R. 14), cannot be regarded "as adjudicating the point here in issue."

* Contra: *Batley et al. v. Paris Beauty Parlors Supply Co. of San Francisco Limited*, 4 F. Supp. 531, 535 (N.D. Cal. S.D., 1933). Cf. *Doherty Research Co. v. Universal Oil Products Co.*, 107 F.2d 548, 549 (C.C.A. 7, 1939).

Also quite inapposite is *Eagle Manuf'g Co. v. Miller et al.*, 41 Fed. 351 (C.C. S.D. Iowa, E.D., 1890) *reversed*, 151 U.S. 186, 14 S.Ct. 310 (1894) because that decision, far from making the privy a formal party to the record, merely recited (at pp. 357, 358) that the manufacturer was estopped under the familiar rule of *Lovejoy v. Murray*.

The relation between *Frank R. Redman, et al., v. Stedman Manufacturing Company*, 181 F.Supp. 5 (M.D. N.C., Greensboro Div., 1960) and the present case is also quite remote. That case did not involve the question of whether a manufacturer, assuming control of the defense of a patent infringement suit against one of its customers, could be made a formal party to the record notwithstanding valid objections to venue and service of process. In the *Redman* case, the question was whether a final judgment enjoining the manufacturer could be enforced. The question was answered affirmatively because of several unique circumstances. In *Redman* a draft judgment containing the injunction had been submitted to the defense attorneys who had not objected thereto (pp. 7, 8). Indeed the defense attorneys submitted a draft judgment providing expressly that the manufacturer was "bound by the Judgment herein." (p. 8). The propriety of enjoining the manufacturer was not questioned until a petition for rehearing was filed in the Court of Appeals. Since all of these factors are absent from the present case, *Redman v. Stedman* is clearly distinguishable.

Petitioners and the dissenting opinion below urge that *Ocean Accident & Guarantee Corporation, Limited, v. Felgemaker et al.*, 143 F.2d 950 (C.C.A. 6, 1944) conflicts with the decision below. Respondent submits that the Sixth Circuit decision does not support Petitioners' contention because it arose in a very dissimilar factual and statutory context. *Ocean Accident & Guarantee Corporation v.*

Felgemaker were damage actions arising out of an automobile accident in Ohio. The actions originally instituted in a state court were removed to the federal district court. The defendant's insurance company pursuant to its policy assumed the defense of the actions, but it was not named or treated as a party to the litigation. After the plaintiffs had won judgments against the insured, they sought satisfaction from the insurance company. They were entitled to proceed directly against the insurer under Section 9510-4 of the General Code of Ohio* and also under a clause of the insurance contract, which provided:

"The Exchange, after rendition of final judgment against the Insured, shall be liable to the person entitled to recover for such death or for any such injury to the person or property when caused by the Insured, in the same manner and to the same extent that said Exchange is liable to the Insured." (143 F.2d 951).

*"Upon the recovery of a final judgment against any firm, person or corporation by any person, including administrators and executors, for loss or damage on account of bodily injury or death, for loss or damage to tangible or intangible property of any person, firm, or corporation, for loss or damage on account of loss or damage to tangible or intangible property of any person, firm, or corporation, for loss or damage to a person on account of bodily injury to his wife, minor child^s or children if the defendant in such action was insured against loss or damage at the time when the rights of action arose, the judgment creditor or his successor in interest shall be entitled to have the insurance money provided for in the contract of insurance between the insurance company and the defendant applied to the satisfaction of the judgment, and if the judgment is not satisfied within thirty days after the date when it is rendered, the judgment creditor or his successor in interest, to reach and apply the insurance money to the satisfaction of the judgment, may file in the action in which said judgment was rendered, a supplemental petition wherein the insurer is made new party defendant in said action, and whereon service of summons upon the insurer shall be made and returned as in the commencement of an action at law. Thereafter the action shall proceed as to the insurer as in an original action at law." (Page's Ohio General Code Annotated, Volume Six, 1938.)

In order to collect from the insurer the plaintiffs filed supplemental and amended complaints naming the insurer, but did not make proper service of summons on the latter. The insurance company admitted "it had no defense outside of the jurisdictional question," (143 F.2d 952). The reports do not disclose that the insurance company objected specifically to venue in Ohio, or that the facts would have justified such an objection. All plaintiffs apparently resided in Ohio. The question seems to have been whether the Court had acquired jurisdiction over the person of the insurance company without proper service of summons. In holding the insurance company as a party to the action on the judgment, the District Court and the Court of Appeals relied largely on Ohio and other state precedents (47 F.Supp. 662, 143 F.2d 952, 953). Indeed the District Court said that its holding was based on "the present state of the law of Ohio" (47 F.Supp. 662).

The present case is for *patent infringement* which, in contrast to automobile accident cases, is a matter entirely free from the provisions of state law. Allbright-Nell is not a commercial insurer but a manufacturer who, as a necessary incident to its sales, has given patent indemnity to its customers. Respondent's indemnity contract with Defendant Peter Eckrich does not provide for direct liability of the indemnitor to the patent owners. Judgment of validity and infringement has not as yet been obtained against Peter Eckrich. If Allbright-Nell were held liable to Petitioners, the amount of recovery would probably be determined in an accounting rather than by an award of a lump sum at the end of the trial.

A most significant difference between the holding of the

Ocean Accident case and the ruling here sought by Petitioners lies in the fact that final judgment had been rendered against the insured, before the direct action statute of Ohio was applied against the insurer.

That the rendition of a final judgment against the insured is regarded as an indispensable requirement to an action against the insurer is clear from Section 9510-4 General Code of Ohio, as well as from pertinent cases. In *Maryland Casualty Co. v. Pacific Coal & Oil Co., et al.*, 111 F.2d 214, 215 (C.C.A. 6, 1940), this element was called one of the "jurisdictional prerequisites." To the same effect is *Builders & Mfrs. Mut. Casualty Co. v. Preferred Automobile Ins. Co.*, 118 F.2d 118, 121 (C.C.A. 6, 1941).

IV. The Rule Applied Below Is Sound And Should Not Be Altered.

The preceding analysis of prior cases shows that the decision below merely adheres to a legal doctrine which has been universally followed in federal question cases. Such a well established rule should be preserved, unless cogent reasons require its reversal. The statutory venue requirements in patent infringement cases* are clear and specific, *Fourco Glass Company v. Transmirra Products Corporation, et al.*, 353 U.S. 222, 77 S.Ct. 787 (1957). This Court has also recognized in *Olberding et. al. v. Illinois Cent. R. Co., Inc.*, 346 U.S. 338, 340, 74 S.Ct. 83, 84 (1953) that:

"The requirement of venue is specific and unambiguous; it is not one of those vague principles which, in the interest of some overriding policy, is to be given a 'liberal' construction."

* 28 USC 1400(b).

As pointed out above (pp. 4-6) the present law which permits the manufacturer to control the defense of an infringement suit without becoming a formal party there-to protects the manufacturer's reasonable interests and expectations. It allows for adjustments in the parties' relationships. The hard and fast rule advocated by Petitioners disregards complex and changeable realities. Its adoption would leave the manufacturer a choice between only two onerous alternatives: He could appear as a defendant of record, assuming *irrevocably* all the burdens incidental to litigation in an improper and inconvenient forum, or he could leave his customer unprotected and thus risk the collapse of his entire business. The rule applied by the Court below is preferable because it allows the manufacturer to take an intermediate position which fully protects the reasonable interests of everyone concerned.

The assertion that Allbright-Nell's "position is not just" and "puts form before substance" (Petitioners' Brief, p. 5) is, of course, no substitute for legal analysis and reasons. Nor does the invocation of the waiver doctrine explain why Petitioners' contention should be accepted. Since the waiver label as applied to the present case does not connote actual consent, it serves only to restate rather than support the result urged by Petitioners.

The adoption of the rule advanced by Petitioners would, in practice, deprive most manufacturers of the venue privilege which Congress has seen fit to embody in 28 USC 1400(b). It would further encourage "forum shopping" in patent cases which is already excessive.

CONCLUSION

For all the above reasons the decision below should be affirmed.

Respectfully submitted,

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SUPREME COURT OF THE UNITED STATES

No. 219.—OCTOBER TERM, 1960.

Carl Schnell, et al., Petitioners,	} On Writ of Certiorari to the United States Court of Appeals for the Seventh Circuit.
Peter Eckrich & Sons, Inc., et al.	

[February 20, 1961.]

MR. JUSTICE CLARK delivered the opinion of the Court.

The sole issue in this patent infringement suit, filed in the Northern District of Indiana, is whether as a matter of law respondent Allbright-Nell Co., an Illinois manufacturer, by openly assuming and controlling in this action the defense of its customer, respondent Peter Eckrich & Sons, Inc., of Indiana, subjected itself to the jurisdiction of that court and waived the statutory venue requirements of 28 U. S. C. § 1400 (b).¹ The motion of Allbright-Nell to dismiss as to it because venue in the Northern District of Indiana was improper was sustained without opinion. The Court of Appeals affirmed, 279 F. 2d 594.² We granted certiorari, 364 U. S. 813. We affirm the judgment.

Allbright-Nell manufactured the alleged infringing device, a machine for cutting sausage meat, known as the "ANGCO Emulsitator." It sold some of the devices to Eckrich, whose principal place of business was at Fort

¹ 28 U. S. C. § 1400 (b):

"Any civil action for patent infringement may be brought in the judicial district where the defendant resides, or where the defendant has committed acts of infringement and has a regular and established place of business."

² The appeal was allowed under 28 U. S. C. § 1292 (b) on the certificate of the District Court that the order dismissing Allbright-Nell involved a controlling question of law and that immediate appeal would materially advance the termination of the litigation.

Wayne, Indiana. In the contract of sale, Allbright-Nell agreed to defend any infringement suits which might be filed against Eckrich involving the device and to bear all of the expense thereof, including any recovery. While it was using the machines, petitioners sued Eckrich in Indiana for infringement.³ Pursuant to its contract, Allbright-Nell employed attorneys who defended the suit in the name of Eckrich. Thereafter, before any judgment was entered, petitioners amended their complaint, naming Allbright-Nell as a party defendant. Service was made upon Allbright-Nell by serving its president in Illinois. Motions to quash (on the ground that such service was made outside of the jurisdiction of the court) and to dismiss (on the ground that venue under § 1400 (b) was improper) were promptly filed. The petitioners admit that this service conferred no jurisdiction on the court and also concede that Allbright-Nell had no place of business in Indiana and, therefore, under § 1400 (b), venue as to it could not lie in Indiana. However, they urge that the presence of Allbright-Nell through the attorneys, openly defending and controlling the suit against Eckrich, gave the court jurisdiction over the former.⁴ In effect, petitioners argue Allbright-Nell was in fact before the court protecting its own interests, was acting only as a "puppeteer" of Eckrich, and was seeking all the benefits of litigation but attempting to avoid all of its responsibilities, save the ultimate application of *res judicata*. It, therefore, should be deemed to have entered a general

³ Subsequently, a second suit involving a different patent was filed in the same court, naming each of the respondents here as defendants. The court entered similar orders in it, and the cases were consolidated on appeal.

⁴ It is conceded that Allbright-Nell, by openly controlling the defense of this suit, in which it has an interest, will be bound by the final judgment and precluded by *res judicata*, from relitigating the same issues. *Souffront v. La Compagnie Des Sucreries De Porto Rico*, 217 U. S. 475; *Lovejoy v. Murray*, 3 Wall. 1.

appearance and waived its objection to venue. In the face of § 1400 (b), however, we think not.

While objection to venue "may be lost by failure to assert it seasonably, by formal submission in a cause, or by submission through conduct, . . . courts affix to conduct [such] consequences as to place of suit consistent with the policy behind" the applicable venue statute. *Neirbo Co. v. Bethlehem Corp.*, 308 U. S. 165, 168. As is pointed out in the cases, Congress adopted the predecessor to § 1400 (b) as a special venue statute in patent infringement actions to eliminate the "abuses engendered" by previous venue provisions allowing such suits to be brought in any district in which the defendant could be served. *Stonite Co. v. Melvin Lloyd Co.*, 315 U. S. 561. The Act was designed "to define the exact jurisdiction of the . . . courts in these matters," at p. 565, n. 5, and not to "dove-tail with the general [venue] provisions." *Id.*, 566. As late as 1957 we have held § 1400 (b) to be "the sole and exclusive provision controlling venue in patent infringement actions." *Fourco Glass Co. v. Transmirra Products Corp.*, 353 U. S. 222, 229 (1957). The language of this special statute is clear and specific. The practice complained of here was not at all unusual at the time of this statute's passage,³ and for us to enlarge upon the mandate of the Congress as to venue in such patent actions would be an intrusion into the legislative field.

In fact, the petitioners would have us do now what this Court specifically refused to do 45 years ago in *Merriam Co. v. Saalfeld*, 241 U. S. 22 (1916). There the entire defense of the named defendant, (Saalfeld) was openly financed and controlled by one Ogilvie, as to whom

³ Some 30 years prior to that time this Court had occasion to pass on the effect of such conduct with relation to *res judicata* in *Lovejoy v. Murray*, 3 Wall. 1, 19 (1865), which held that one who controlled the defense in a suit was precluded from relitigating in a second action the issues adjudicated in the first.

venue was improper; Merriam sought by supplemental bill to make Ogilvie a defendant before a final judgment was rendered, but after the issue of unfair competition had been decided; and Ogilvie would have been bound by the final judgment under *res judicata*. Nevertheless, his seasonable motion to quash the substituted service had upon the attorneys defending Saalfield was sustained. We believe the holding in *Merriam* completely supports our conclusion here. If a general appearance could be found in such conduct, the facts there were stronger for the proceedings against Saalfield, handled entirely by Ogilvie, had progressed to the appointment of a master to determine the amount of damages. All that remained when it was sought to join Ogilvie was an accounting. Yet a unanimous Court sustained the dismissal, saying:

"If the decree [of injunction and accounting] . . . was not final as between appellant [Merriam Co.] and Saalfield, it cannot be *res judicata* as against Ogilvie; and thus the fundamental ground for proceeding against the latter by . . . substituted service of process disappears. This sufficiently shows the weakness of appellant's position, which, upon analysis, is found to be this: that upon the theory that Ogilvie would be estopped by a final decree if and when made, it sought to bring him into the suit, before final decree, as if he were already estopped. However convenient this might be to a complainant in appellant's position, it is inconsistent with elementary principles." At pp. 28-29.

Petitioners stress that here the conduct of Allbright-Nell continued *after* it was named a party. We are not persuaded that this has any bearing upon the issue to be decided. The conduct which will amount to a waiver of venue is that of the defendant alone and nothing a plaintiff might do can change the legal consequences which

attach to that conduct. Cf. *Olberding v. Illinois Central R. Co.*, 346 U. S. 338. Certainly the point in time at which petitioners sought to join Allbright-Nell will control the amount of its total activities which will be considered in determining whether venue has been waived but this cannot alter the conclusions to be drawn from that conduct. Therefore, whether Allbright-Nell's actions took place before or after being named a party is immaterial to the question of waiver under the special venue provisions of § 1400 (b).

Petitioners insist that this result exalts form over substance. We think not. "The requirement of venue is specific and unambiguous; it is not one of those vague principles which, in the interest of some overriding policy, is to be given a 'liberal' construction." *Olberding v. Illinois Central R. Co.*, *supra*, at 340.

Affirmed.